

MINUTES of SERS Board Regular Meeting – Wednesday, September 12, 2018

CALLED TO ORDER: 9:30 a.m. by Chairman David R. Fillman

ATTENDEES:

Members and Designees

David R. Fillman – Chairman
Stephen S. Aichele
Glenn E. Becker
Dan B. Frankel
Robert W. Godshall
Charles T. McIlhinney, Jr.
T. Terrance Reese
Mary A. Soderberg
Joseph M. Torsella
Robin L. Wiessmann
Thomas Clancy – Designee for Treasurer Joseph M. Torsella
Christopher Craig – Designee for Treasurer Joseph M. Torsella
Toni Marchowsky – Designee for Senator Vincent J. Hughes
Bernie Gallagher – Designee for Representative Dan B. Frankel
Dan Ocko – Designee for Representative Dan B. Frankel
Leo Pandeladis – Designee for Secretary Robin L. Wiessmann
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.

Consultants

Andrew Brett, NEPC, LLC
Michael Elio, StepStone Group LP
Anthony Johnson, RVK, Inc.
Mikaylee O'Connor, RVK, Inc.
Matthew Ritter, NEPC, LLC
Matt Roche, StepStone Group LP
Jim Rohlinger, Empower Retirement
Jim Voytko, RVK, Inc.

Executive Staff

Linda Engle
Bryan Lewis
N. Joseph Marcucci
Terrill Sanchez

Staff

Rose Agnew
Stephen Balucha
Lena Bickle
Myisha Ebersole

David Felix
Brian Gilroy
Jason Giurintano
Phillip Greenberg
Suzanne Hansel
Pamela Hile
Christopher Houston
Khalfani King
Barbara Kiral
Karen Lynn
Katie Mathews
Jeffrey McCormick
Sara McSurdy
Matthew Meads
Jeffrey Meyer
James Nolan
M. Catherine Nolan
Joel Rimby
Kathleen Ryan
Joseph Torta
William Truong
Carly Wismer

Visitors

Nicholas Allen, Lord, Abbett & Co. LLC
James Bloom, Public Pension Management and Asset Investment Review Commission
Mike Connolly, PA Treasury
Pamela Cross, PA Office of General Counsel
Lloyd Ebright, PA Treasury
Alan Flannigan, PA Dept. of Banking & Securities
Jared Knote, PA Treasury
Michele Kreisler, PA Treasury
Craig McCoy, The Inquirer
Tony Parisi, Public School Employees' Retirement System
Brian Pifer, Office of Representative Robert W. Godshall

Presenters

Christine Pastore, Vista Equity Partners Fund VII, L.P.
Robert Smith, Vista Equity Partners Fund VII, L.P.
Tony Weber, NGP Natural Resources XII, L.P. and NGP Keystone, L.P.

MINUTES of the SERS Board Regular Meeting Wednesday, September 12, 2018

A. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – July 25, 2018

Chairman Fillman presented the minutes provided to the board (9/12/2018 Board Package, Administrative Report, Tab 2).

MOTION: 2018-60

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board approves the minutes of the July 25, 2018, board meeting with the amendment of Motion 2018-50 to read and as set forth in ATTACHMENT A (SERS July 25, 2018 Board Minutes, Page 3 of 7):

By motion that was moved, seconded, and approved by board members, except Secretary Wiessmann, who voted NO, and Mr. Clancy, designee for Treasurer Torsella, who recused himself because of ~~misunderstanding~~ it was not clear whether this firm created value through public or private market investments, it was

RESOLVED: That the board orders to commit up to \$75 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, to TCV X, L.P., as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Action: 2. Statement of Changes in Fiduciary Net Position for the Periods Ending – June 30 and July 31, 2018

Chairman Fillman presented the report provided to the board (9/12/2018 Board Package, Administrative Report, Tab 3).

MOTION: 2018-61

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Fiduciary Net Position for the periods ended June 30 and July 31, 2018.

Action: 3. 457 Deferred Compensation Plan 2nd Quarter Statement of Changes Report

Chairman Fillman presented the report provided to the board (9/12/2018 Board Package, Administrative Report, Tab 4).

MOTION: 2018-62

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the State Employees' Retirement Board's Internal Revenue Code §457 Deferred Compensation Plan's Statement of Changes in Fiduciary Net Position for the quarter ended June 30, 2018.

B. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND RVK, INC.**Presentation: 1. CIO Opening Comments**

Mr. Lewis made comments outlining the highlights of the 9/12/2018 board meeting agenda. He introduced the Investment Office new staff, Stephen Balucha as a Junior Investment Analyst and Suzanne Hansel as an Administrative Officer.

Presentation: 2. SERS Quarterly Performance Report (as of June 30, 2018)

Messrs. Johnson and Voytko presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 8).

Presentation: 3. SERS Deferred Compensation Program Quarterly Investment Performance Analysis (as of June 30, 2018)

Ms. O'Connor and Messrs. Nolan, Truong, Johnson and Voytko presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 9).

Action: 1. SERB 401(a) Defined Contribution Plan Investment Policy Update

Ms. O'Connor and Messrs. Nolan, Truong, Johnson and Voytko presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tabs 2 and 3).

MOTION: 2018-63

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board adopts the proposed revisions to the Pennsylvania State Employees' Retirement Board's 401(a) Defined Contribution Plan Statement of Investment Policy, as set forth in ATTACHMENT B.

C. SERS OFFICE OF FINANCE AND ADMINISTRATION**Action: 1. SERB 401(a) Defined Contribution Plan Document**

Chairman Fillman noted that Tony Faiola was not at the meeting while he recovers from an automobile accident, and Linda Engle, Assistant Chief Financial Officer, would be representing Tony at today's meeting.

Ms. Engle presented the report provided to the board (9/12/2018 Board Package, Administrative Report, Tab 16).

MOTION: 2018-64

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation from the Deferred Compensation Committee to approve the State Employees' Defined Contribution Plan and Trust document effective January 1, 2019, pursuant to Act of June 12, 2017, P.L. 11, No. 5, 71 Pa. C.S. §5101 et seq.

D. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LP**Presentation: 1. Private Equity Fund Selection Education**

Messrs. Felix, Elio and Roche presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 4).

Action: 1. Private Equity Interview – Vista Equity Partners Fund VII, L.P.
Ms. Pastore and Messrs. Felix, Elio, Roche and Smith presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 10).

MOTION: 2018-65

By motion that was moved, seconded, and approved by board members, except Treasurer Torsella and Secretary Wiessmann, who voted NO, it was

RESOLVED: That the board orders to commit up to \$75 million to Vista Equity Partners Fund VII, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Action: 2. Private Equity Interview – NGP Natural Resources XII, L.P.
Messrs. Felix, Elio, Roche and Weber presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 11).

MOTION: 2018-66

By motion that was moved, seconded, and approved by board members, except Rep. Frankel, Treasurer Torsella and Secretary Wiessmann, who voted NO, it was

RESOLVED: That the board orders to commit up to (i) \$75 million to NGP Natural Resources XII, L.P., and up to (ii) \$25 million to NGP Keystone, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Presentation: 2. Private Equity Recommendations for Future Interview – TSG8 L.P.
Messrs. Felix, Elio and Roche presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 5).

It was the consensus of the board to interview representatives of this manager at the October 24, 2018, board meeting.

E. EXECUTIVE SESSION

Presentation: 1. Agenda

At 12:55 p.m., the board recessed and entered executive session to receive legal advice and confidential performance information on executive session agenda items, as provided in ATTACHMENT C.

F. LUNCH BREAK

G. PUBLIC MEETING RESUMES

The public meeting resumed at 3:08 p.m.

H. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND NEPC, LLC

Presentation: 1. Real Estate Recommendations for Future Interview – Oak Street Net Lease Property Fund, L.P.

Messrs. Greenberg, Ritter and Brett presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 7).

It was the consensus of the board to interview representatives of this manager at the October 24, 2018, board meeting.

I. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LP

Presentation: 1. Multi-Strategy Recommendations for Future Interview – Apollo Hybrid Value Fund, L.P.

Messrs. Felix, Elio and Roche presented the report provided to the board (9/12/2018 Board Package, Investment Report, Tab 6).

It was the consensus of the board to interview representatives of this manager at the October 24, 2018, board meeting.

J. GOVERNANCE PROJECT

Action: 1. Board Structure – Committee Charters and Policy Discussion

Mr. Houston presented the policies provided to the board (8/14/2018 Board mailing and 9/12/2018 board handouts).

MOTION: 2018-67

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board adopts the following Governance Policy Manual documents, as set forth in the attachments, effective immediately:

- Amended Board Education Policy (ATTACHMENT D)
- SERS Board Communications Policy (ATTACHMENT E)
- Policy for Indemnification of Board Members, Designees, Officer and Employees (ATTACHMENT F)
- Policy on Placement Agent Disclosures (ATTACHMENT G)
- Recusal Policy (ATTACHMENT H)
- SEC “Pay-to-Play” Rule Compliance and Reporting Policy (ATTACHMENT I)
- Ethical Conduct Policy (ATTACHMENT J)
- SERS Board Travel Policy (ATTACHMENT K)

K. REPORT ON BEHALF OF CHIEF FINANCIAL OFFICER

Action: 1. Fiscal Year 2019-20 SERB Budgets Proposals

Ms. Engle noted that the budgets were provided to the board (9/12/2018 Board Package, Administrative Report, Tab 15). Ms. Engle said to contact her and she would answer any questions.

MOTION: 2018-68

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board approves the SERS Administrative Budget for Fiscal Year 2019-20, the SERS Investment Budget for Fiscal Year 2019-20 and the Internal Revenue Code §401(a) State Employees’ Defined Contribution Plan Budget for Fiscal Year 2019-20 substantially in the form proposed with such amendments as are permitted by the Office of the Budget. The details of the proposed budgets are included in the memo “Re: Office of Finance and Administrative Update” from

the Chief Financial Officer to the State Employees' Retirement Board dated September 5, 2018, that was included in the board package.

L. REPORT FROM EXECUTIVE DIRECTOR

Presentation: 1. Administrative Update

Ms. Sanchez noted that the report was provided to the board (9/12/2018 Board Package, Administrative Report, Tab 10). She noted that the SERIS 2.0 project work will be put on a reduced resource schedule and implementation will be delayed to accommodate the ACT 5 project requirement, as mandated by law, to have the benefit structure up and running by January 1, 2019. She expanded on the potential 2019 meeting calendars for the board, and they will be further discussed at the October 24, 2018, meeting.

Presentation: 2. Legislative Update

Ms. Sanchez noted that the report was provided to the board (9/12/2018 Board Package, Administrative Report, Tab 11). She noted that the next Public Pension Management and Asset Investment Review Commission hearing is Thursday, September 20, 2018. Education credits are available to those who attend or listen to the hearing.

Presentation: 3. Special Audit Committee Meeting Minutes – August 2, 2018

Ms. Sanchez noted that the Audit Committee meeting minutes were provided to the board (9/12/2018 Board Package, Administrative Report, Tab 12).

Presentation: 4. 457 Deferred Compensation Plan Committee Meeting Minutes – August 24, 2018

Ms. Sanchez noted that the 457 DCP Committee meeting minutes were provided to the board (9/12/2018 Board Package, Administrative Report, Tab 13).

Presentation: 5. Board Dismissals

Ms. Sanchez presented the report regarding uncontested matters in which an Order was issued dismissing the following administrative appeals, as provided to the board (9/12/2018 Board Package, Administrative Report, Tab 9).

Account of Lester M. Bender
Docket No. 2018-12
Claim of Lester M. Bender

Account of Neilimen Alicea
Docket No. 2018-09
Claim of Neilimen Alicea

Account of John L. Sior
Docket No. 2017-10
Claim of John L. Sior

M. NEXT BOARD MEETING – October 24, 2018

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for October 24, 2018.

N. MOTION TO ADJOURN

Action: 1. Adjournment

MOTION: 2018-69

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 4:37 p.m.

Respectfully submitted,



Terrill J. Sanchez
Executive Director

and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Action: 4. Private Equity Interview –TCV X, L.P.

Messrs. Felix, Morse, Elio, Roche, Sanders and Hoag presented the report provided to the board (7/25/2018 Board Package, Investment Report, Tab 14).

MOTION: 2018-50

By motion that was moved, seconded, and approved by board members, except Secretary Wiessmann, who voted NO, and Mr. Clancy, designee for Treasurer Torsella, who recused himself because it was not clear whether this firm created value through public or private market investments, it was

RESOLVED: That the board orders to commit up to \$75 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, to TCV X, L.P., as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Presentation: 1. Private Equity Recommendations for Future Interviews –Vista Equity Partners VII, L.P. and NGP Natural Resources Fund XII, L.P.

Messrs. Felix, Morse, Elio and Roche presented the report provided to the board (7/25/2018 Board Package, Investment Report, Tabs 6 and 7).

It was the consensus of the board to interview representatives of these managers at the September 12, 2018, board meeting.

F. EXECUTIVE SESSION

Presentation: 1. Agenda

At 1:05 p.m., the board recessed and entered executive session to receive legal advice and confidential performance information on executive session agenda items, as provided in ATTACHMENT A.

G. LUNCH BREAK

H. PUBLIC MEETING RESUMES

The public meeting resumed at 2:50 p.m.

E. (continued) Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LP

Presentation: 2. Private Equity Semi-Annual Performance Report (as of December 31, 2017)

Messrs. Elio and Felix presented the report provided to the board (7/25/2018 Board Package, Investment Report, Tab 11).

I. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND RVK, INC.

Action: 1. 401(a) Defined Contribution Plan Investment Manager Search Presentation

Ms. O'Connor and Messrs. Nolan and Truong presented the reports provided to the board (7/25/2018 Board Package, Investment Report, Tab 4).



pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

Commonwealth of Pennsylvania

State Employees' Retirement Board

401(a) Defined Contribution Plan Statement of Investment Policy

Adopted by the SERS Board: June 13, 2018

Updated: September 12, 2018

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Commonwealth of Pennsylvania
State Employees' Retirement System
401(a) Defined Contribution Plan Statement of Investment Policy

1. Introduction

The Commonwealth of Pennsylvania is the sponsor of the Defined Contribution Plan (“401a Plan”) that was established for Commonwealth of Pennsylvania officers and employees through Act 5 on June 12, 2017. The Act of June 12, 2017, P.L. 11, No. 5 authorizes the State Employees' Retirement Board (“Board”) to establish and administer the 401a Plan as an eligible defined contribution plan in accordance with the Internal Revenue Code (IRC) Section 401 (a) of 1986, as amended. For purposes of this Defined Contribution Plan Policy (“Policy”), the term “Participants” means any participant, beneficiary or alternate payee who has an account in the 401a Plan.

Participants have an opportunity to exercise control over the assets in their individual 401a Plan accounts, and may choose, from a broad range of investment options, the manner in which assets in their accounts are invested. Participants bear the risk of the investment results of their selection(s). Participants are responsible for all fees of the 401a Plan, with the exception of implementation costs, which are to be paid for by the Commonwealth of Pennsylvania.

2. Purpose of Statement of Investment Policy

The purpose of this Policy is to formalize the Board’s investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process. The Policy outlines the following components:

- Define the purpose of the 401a Plan;
- Define the roles of those responsible for managing the 401a Plan;
- Define investment options for the 401a Plan; and
- Establish investment funds performance standards and the objectives, standards and processes for monitoring and evaluating investment options.

3. Purpose and Objectives of the 401a Plan

The purpose of the 401a Plan is to provide eligible employees (“employees”) with a source of retirement income from accumulated employee contributions, employer contributions and investment returns. The objective of the 401a Plan is to allow employees to defer a portion of their salary into the 401a Plan, promote and maximize capital accumulation and enable employees to meet their personal retirement investment goals. It is the Board’s intent to make available an array of investment options that satisfy the following criteria:

- Each investment option is diversified within itself;

- Each investment option has different risk and return and/or style characteristics; and
- Each investment option, in combination with the other available investment options, contributes to the diversification opportunities of a participant's 401a Plan account portfolio.

4. Roles & Responsibilities

The Board has delegated certain functions to Administrative Staff, Investment Staff and Legal Staff as well as to various contractors who provide professional services to the Board. All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty. The Board relies heavily on Administrative Staff, Investment Staff, Legal Staff, and external contractors in order to administer the 401a Plan and carry out the Board's responsibilities. Various responsibilities are allocated among the Board, Administrative Staff, Investment Staff, Legal Staff, Investment Managers, Investment Consultant, Custodian and Sub-custodian, and Third-Party Administrator, as defined below. The responsibilities of the 401a Plan's service providers are governed by the applicable services agreements as well as this Policy.

A. Board

The Board is the 401a Plan administrator, trustee and the named fiduciary responsible for designating the investment options from which a Participant can build a diversified portfolio. The Board will act in the sole interest of Participants for the exclusive purpose of providing benefits to the Participants, and defraying the reasonable expenses of administering the 401a Plan. Furthermore, the Board must comply with and fulfill all aspects of the established guidelines under the Internal Revenue Code and other governing rules and regulations that relate to the administration and investment of the assets under the 401a Plan. At all times any final decisions/actions with regard to the 401a Plan and the results of those actions is the sole province of the Board.

The Board performs the following in conjunction with 401a Plan and statutory provisions:

- Comply with all applicable rulings, regulations and legislation;
- Act in accordance with the provisions of all legal documents governing the 401a Plan;
- Approve and maintain all legal documents governing the 401a Plan, including the Plan document, Trust Declaration and this Policy;
- Review and approve the 401a Plan structure and design;
- Review and approve the hiring and termination of contractors to assist in managing the 401a Plan based on recommendations from Administrative Staff and, if applicable, the Investment Consultant;
- Review and approve investments based on recommendations from Investment Staff and the Investment Consultant;
- Review and approve hiring and termination of investment managers based on recommendations from Investment Staff and the Investment Consultant;
- Review the 401a Plan's audited financial statements;
- Review and evaluate the 401a Plan's investment performance and costs;
- Oversee and monitor Administrative Staff and Investment Staff responsible for the oversight and management of the 401a Plan; and

- Approve the engagement and termination of industry experts, including but not limited to, an independent Investment Consultant.

B. SERS Staff

The Board has delegated the Administrative Staff, the Investment Staff and the Legal Staff of SERS with certain roles and responsibilities. The Administrative Staff includes the Executive Director and Office of Finance and Administration. The Investment Staff includes the Chief Investment Officer and the SERS Investment Office. The Legal Staff includes SERS Chief Counsel and any attorney appointed by SERS Chief Counsel.

1. Administrative Staff

The Administrative Staff ensures the proper and efficient administration of the 401a Plan. The Administrative Staff is specifically responsible for the oversight and performance monitoring of the 401a Plan's Third-Party Administrator. These administration functions include, but are not limited to, the enrollment of employees as participants, the maintenance of accounts and other records, payment of 401a Plan approved fees, interpretation of Plan provisions, the preparation of periodic reports to Participants and distributions to Participants. The Administrative Staff is responsible for coordinating the hiring of a Third-Party Administrator to assist in the administration of the 401a Plan, subject to the Board's approval.

2. Investment Staff

The Investment Staff is charged with the coordination of all investment activities and matters within the 401a Plan. The Investment Staff is responsible to the Board to review, analyze, develop, recommend and monitor the 401a Plan's investment options and securities lending activities for the Board's consideration and approval. To ensure that the investment goals and objectives of the 401a Plan are being fulfilled, the Investment Staff also reviews and analyzes the philosophies, policies and strategies employed by the investment managers, evaluating the appropriateness of their decision-making processes and their investment styles in relation to present and projected investment horizons. The Investment Staff is also responsible for updating and maintaining this Policy and coordinating the hiring of an external investment consultant to assist in investment matters of the 401a Plan, subject to the Board's approval.

3. Legal Staff

The Legal Staff ensures the lawful administration of the 401a Plan. The Legal Staff is responsible for negotiating all underlying contracts within the 401a Plan as well as confirming the legalities of plan designs and implementations within the 401a Plan. The Legal Staff is responsible for answering any legal questions that arise from the Administrative Staff and the Investment Staff as well as reviewing the actions and recommendations of the Investment Managers and the Investment Consultant. The Legal Staff will consult with the Board at the Board's request.

C. Investment Managers

Each investment manager will have discretion over the management of a specific mandate as designated by the Board. The specific terms of each investment management agreement (including but not limited to mutual fund, separate account, commingled investment fund and commingled investment trust) will include an Investment Strategy Statement which establishes and governs the investment guidelines and responsibilities of the investment manager. Each investment manager must select investments with the same care, skill, prudence and due diligence that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance and compliance with all applicable laws, rules and regulations.

D. Investment Consultant

The Board shall retain an independent investment consultant to assist in executing any and all provisions of this Policy. While the investment consultant will act in a non-discretionary capacity, the investment consultant is to be considered a fiduciary, as defined in section 3(21) of ERISA.

The investment consultant will provide investment advice and recommendations concerning the 401a Plan structure, administration and investment management of the 401a Plan assets consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the investment consultant will be established and maintained under an investment consulting agreement, though will generally include reviewing policies, investment options, investment manager due diligence, benchmarks, ongoing due diligence, compliance monitoring as detailed in the individual management agreements and evaluating the costs of the 401a Plan.

E. Custodian and Sub-custodian

The Custodian and Sub-custodian are expected to fulfill all the regular fiduciary duties of a custodian, pursuant to the terms of the applicable trust and custodial agreements and as required by other pertinent state and federal laws.

In general, these duties include the following:

- Receive contributions and deferrals from the State and pay all benefits, as directed by the Board or its designee(s);
- Protect trust assets, ensure timely settlement of security transactions, credit all income and principal realizable by investment assets of the trust in a timely and accurate fashion, sweep excess cash from custodied investment manager accounts into a suitable cash management vehicle each day, and calculate the net asset value for unitized accounts or report stated net asset values for non-unitized accounts in a timely and accurate fashion;
- Report periodically to the Board or its agents and designees on all monies received or paid on behalf of the Trust and on all securities under the custody contract including all unsettled securities transactions;

- Deliver Trust assets to a successor custodian or as otherwise directed with proper instructions within a reasonable time period of termination;
- Promptly distribute all proxy materials or other corporate actions received by the Trustee/Custodian;
- Coordinate asset transfers as requested by the Board or its designee(s); and
- Provide fund accounting for investment options. Services include, but are not limited to, calculating or reporting net asset value (NAV) and posting and settling securities trades.

F. Third-Party Administrator

The Third-Party Administrator is expected to fulfill all of the contracted responsibilities including, but not limited to, maintaining individual participant investment account records and providing Participants with sufficient information to manage their investments. The Third-Party Administrator is also expected to comply with the reporting requirements of the Plan Document, the requirements established and maintained under the Third-Party Administrator contract and all pertinent federal, state and local rules and regulations. Services may also include, but are not limited to, the provision of:

- Enrollment services in the 401a Plan for employees;
- Educational materials and programs explaining investment options in the 401a Plan;
- Advice tools and products;
- Tools to facilitate the effective exchanges and transfers to, from, and among investment options offered within the 401a Plan;
- Periodic individual statements and distributions;
- Master recordkeeping responsibilities;
- Reports in support of compliance and regulatory obligations;
- An effective and automated interface with the Custodian/Sub-custodian to initiate net trades on investment options and rebalancing transactions as directed; and
- Reports and information reconciliations to the Board or its designees, and the Custodian/Sub-custodian.

5. Investment Options

It is the Board's intent to offer a broad range of investment options with materially different risk and return characteristics to allow Participants, by choosing among such investment options, the opportunity to diversify their balances and construct portfolios consistent with their unique circumstances, goals, time horizons and tolerance for risk. It is the objective of the Board to offer investment options at a reasonable cost in terms of management, custody, other costs and have investment characteristics that can be successfully communicated to participants. Further, it is the intent of the Board to designate names for the investment options that are more easily understood by participants.

To comply with the Plan Document, the 401a Plan is required to offer a minimum of ten investment options that are professionally managed by at least three investment managers. The Board expects to offer three tiers of investment options to meet various participant investment objectives. Described below are the various types of investment options.

A. Tier I – Target Date Fund Investment Options

Target date funds provide a series of asset allocation funds that allow participants to choose a single fund that is based on their expected target retirement date. Each target date fund (e.g. 2020 Fund) includes a professionally managed portfolio of underlying investments that may include fixed income, equity and alternative asset classes. The investment manager adjusts and rebalances the allocation of assets over time to reduce the expected risk as each fund progresses toward its target date.

The Board recognizes that some Participants may fail to make investment choices for their Plan account. Therefore, the Board believes it is appropriate to designate the target date funds as the default investment option for any Participant who fails to make an investment choice for his or her contributions.

B. Tier II – Asset Class Investment Options

The Board expects to offer investment options within each of the following broad asset classes:

- Capital Preservation;
- Fixed Income;
- Broad U.S. Equity; and
- Broad International Equity.

The Board may also establish additional asset classes and investment options at its own discretion to serve the needs of the Participants.

C. Tier III – Self-Directed Brokerage Option

The self-directed brokerage option provides access to a brokerage window for participants who seek greater investment flexibility. Participants investing in this option do so at their own risk. The Board is not responsible for the monitoring or evaluation of any self-directed brokerage account investments.

The Board will select available investment options and add or remove such options at any time in its discretion. The screening process for the initial selection of any investment option, vehicle or manager will consider attributes relevant to the specific asset class and search objective, as developed by the Board with the assistance of the Investment Staff and in consultation with its external investment consultant, where applicable.

The Investment Options currently available in the 401a Plan are shown in **Exhibit I**.

6. Objectives, Standards and Processes for Evaluating and Monitoring Investment Options and Investment Managers

A. Investment Manager Evaluations and Selection

Pursuant to its duties as defined by Section IV.B.2 (Investment Staff) the Investment Staff shall, as directed by the Board and in consultation with the Investment Consultant, search for and hire investment managers to carry out investment mandates. The screening process for the initial selection of any investment option, vehicle or manager will consider attributes relevant to the specific search objective in question. Investment Staff and the Investment Consultant will consider but will not be limited to reviewing the manager's strategy, quality and experience of professional staff, ownership structure, investor level breakdown, assets under management by firm and product, fees and a comparison of performance history among peers and against appropriate benchmarks. Based on this analysis, Investment Staff and the Investment Consultant will determine which investment managers would be suitable candidates for further review.

B. Investment Performance Reviews

Investment Staff will review investment options and investment manager performance, portfolio positioning and transactions at least annually. Investment Staff will use the Defined Contribution Plan Investment Manager Monitoring Policy, attached as **Exhibit II**, as may be applicable to the Investment Options, to apply consistent criteria in evaluating investment managers. The Board may change specific investment options or investment managers without amending this Policy.

C. Investment Manager and Investment Option Termination

The Board recognizes that investment options or investment manager terminations have unique circumstances which may result in different action plans upon termination. Upon a decision to terminate an investment option or investment manager, the Board expects to review the circumstances with Investment Staff and the Investment Consultant to deliberately decide on a prudent and reasonable process for termination and replacement of the terminated investment option and/or investment manager. Investment Staff will notify Administrative Staff and Legal Staff to coordinate proper notice to the participants if an investment option is terminated.

D. Prohibited Transactions

Investment managers are prohibited from entering into any transactions on behalf of the Plan that are not expressly authorized by this Policy or by specific investment manager guidelines, offering memorandum or mutual fund prospectus. Investment managers must at all times follow all applicable laws and regulations. All managers and consultants shall disclose any and all economic positions that may conflict with this Policy or specific investment manager guidelines.

The use of derivatives is to facilitate risk management, and to manage the cost of investing in publicly traded stocks and bonds. Derivatives shall not be used to magnify exposure to investments beyond that which would be allowed by the portfolio's Investment Strategy Statement if derivatives were not used. Derivatives shall not be used to create exposures to securities, indices or other financial variables unless such exposures would be allowed by a portfolio's Investment Strategy Statement if created with non-derivatives securities.

7. Exhibits

Exhibit I – Plan Investment Options

Exhibit II – 401(a) Defined Contribution Plan Investment Manager Monitoring Policy

8. Exhibit I: Plan Investment Options as of December 31, 2018

Investment Option	Benchmark	Fund #
A. Tier I – Target Date Fund Investment Options		
Target Date Fund Suite	Custom Index	1

For participants who do not make an investment selection, they will be assigned into five-year groups based on their birthdate. These groups are used to default participants into an age-appropriate target date fund vintage. SERS intends to utilize the following birthdate ranges and will work directly with the third-party administrator to update periodically. The birthdate ranges are expected to change every time a fund merges into the Post Retirement Fund and a new fund is added. For defaulted participants that change birthdate groups (e.g. from 1991 and After (2060 Retirement Date Fund) to 1996 and After (2065 Retirement Date Fund)), their investment election and account balance will be transferred to the age-appropriate target date fund vintage. These birthdate ranges correspond with a retirement age of 67.

2019 Birthdate Range	Fund Name
1991 and After	2060 Retirement Date Fund
1986 to 1990	2055 Retirement Date Fund
1981 to 1985	2050 Retirement Date Fund
1976 to 1980	2045 Retirement Date Fund
1971 to 1975	2040 Retirement Date Fund
1966 to 1970	2035 Retirement Date Fund
1961 to 1965	2030 Retirement Date Fund
1956 to 1960	2025 Retirement Date Fund
1951 to 1955	2020 Retirement Date Fund
1950 and Before	Post Retirement Fund

2020 Birthdate Range	Fund Name
1996 and After	2065 Retirement Date Fund
1991 to 1995	2060 Retirement Date Fund
1986 to 1990	2055 Retirement Date Fund
1981 to 1985	2050 Retirement Date Fund
1976 to 1980	2045 Retirement Date Fund
1971 to 1975	2040 Retirement Date Fund
1966 to 1970	2035 Retirement Date Fund
1961 to 1965	2030 Retirement Date Fund
1956 to 1960	2025 Retirement Date Fund
1955 and Before	Post Retirement Fund

B. Tier 2 – Asset Class Investment Options		
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1. Equity Funds		
Global Non-U.S. Stock Index Fund	MSCI All Country World ex U.S. Index	2
U.S. All Company Stock Index Fund	Dow Jones U.S. Total Stock Market Index	3
U.S. Large Company Stock Index Fund	S&P 500 Index	4
U.S. Small/Mid Company Stock Index Fund	Dow Jones U.S. Completion Total Stock Market Index	5

2. Fixed Income/ Treasury Inflation-Protected Securities (TIPS) Funds		
U.S. Treasury Inflation Protected Securities Fund	Bloomberg U.S. TIPS Index	6
U.S. Bond Index Fund	Bloomberg U.S. Aggregate Bond Index	7

3. Capital Preservation Funds		
Short-Term Bond Index Fund	Bloomberg U.S. Gov/Credit 1-3 Years Index	8
Short-Term Investment Fund <i>(money market fund)</i>	BofA Merrill Lynch 3 Month T-Bill Index	9

C. Tier III – Self-Directed Brokerage Option		
Schwab Personal Choice Retirement Account	N/A	10

Additional Features (Non-Investment Options)		
Managed Accounts		
Out-of-Plan Annuity		

9. Exhibit II: 401(a) Defined Contribution Plan Investment Manager Monitoring Policy



pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

Commonwealth of Pennsylvania

State Employees' Retirement Board

401(a) Defined Contribution Plan Investment Manager Monitoring Policy

Adopted by the SERS Board: June 13, 2018

SERS employs external investment managers to manage the Defined Contribution Plan (“401a Plan”) assets. SERS Defined Contribution Plan Statement of Investment Policy charges the Investment Office with responsibility for coordinating all investment activities and matters for SERS, including the continual review and analysis of investment managers. It also allows for the use of external investment consultants to provide various investment-related services, including assistance with the analysis of investment managers.

The Investment Office, in consultation with its external investment consultant, developed this Defined Contribution Plan Investment Manager Monitoring Policy (“Policy”). The purpose of this Policy is to provide the SERS Board with an enhanced communication tool to keep the Board informed of investment managers that warrant additional monitoring by the Investment Office and external consultant.

A Defined Contribution Plan Investment Manager Evaluation List (“Evaluation List”) (Appendix 1) was developed to clearly communicate which investment managers have been identified as experiencing quantitative or qualitative pattern changes worthy of greater review by the Investment Office and its external investment consultant. Although a quantitative analysis is clearly important, it is not a best practice to rely exclusively on such data when evaluating investment managers due to the imperfect nature of many indices used as portfolio benchmarks. In addition, the placement of an investment manager on the Evaluation List does not automatically serve as evidence of a problem with the investment manager. This can only be determined after the Investment Office and external investment consultant conduct additional due diligence, as necessary.

A. Investment Manager Monitoring Guidelines and Evaluation List

The Investment Manager Monitoring Guidelines formalize the identification and application of qualitative and quantitative criteria employed by SERS with respect to the monitoring of current investment managers in the 401a Plan. The Investment Manager Monitoring Guidelines: 1) establish clear expectations between the SERS Board, investment office, external investment consultant, and investment managers, 2) enhance communication among the SERS Board, investment office, external investment consultant, 3) encourage the use of prudently applied criteria to evaluate investment managers, 4) foster a long-term approach toward performance evaluation of investment managers, 5) focus the resources of the Investment Office and external investment consultant on those investment managers most likely to require additional attention, 6) avoid costly turnover in investment manager relationships driven by a period of short-term poor performance, and 7) improve the probability that SERS will identify problematic relationships which otherwise might produce unsatisfactory investment returns.

The SERS Board endeavors not to make adverse retention decisions about investment managers based upon performance absent at least three years of performance data, recognizing that investment strategies are best assessed over full market cycles. All of the criteria identified in the Investment Manager Monitoring Guidelines are intended to provide a normal, minimum standard for retaining investment managers.

B. However, the SERS Board may terminate any current investment manager for any reason whatsoever in accordance with the provisions of investment manager agreements between SERS and the external investment managers. These Investment Manager Monitoring Guidelines do not limit SERS’ ability to take such action.

C. Criteria for Active and Passive Management

Addition to the Evaluation List

The Investment Office, in consultation with its external investment consultant, will place an investment manager on the Evaluation List for any of the following reasons:

Quantitative Factors

1. The active investment manager's rolling, three-year return falls below the rolling, three-year benchmark return for four (4) consecutive quarters. This is a net-of-fee comparison.
2. The active investment manager's rolling, three-year return ranks below the median of the external investment consultant's peer group for four (4) consecutive quarters (excludes investment managers with no relative peer group). This is a gross-of-fee comparison.
3. The passive investment manager's rolling three-year return is not in line with the rolling, three-year benchmark return. The Investment Office, in consultation with its external investment consultant, will determine what variance from the benchmark is deemed acceptable, given the passive strategy. This is a gross-of-fee comparison.
4. The active or passive investment manager's return significantly deviates from its expected return established in its investment strategy statements (investment guidelines) with SERS. This is a net-of-fee comparison.

Qualitative Factors

1. A significant and potentially adverse event related, including but not limited, to any of the following qualitative issues or events, will be considered:
 - Violation of investment guidelines
 - Deviation from stated investment style and/or shifts in the firm's philosophy or process
 - Turnover of one or more key personnel
 - Change in firm ownership or structure
 - Significant loss of clients and/or assets under management
 - Significant and persistent lack of responsiveness to client requests
 - Litigation
 - Failure to disclose significant information, including potential conflicts of interest
 - Chronic violations of the SERS Defined Contribution Plan Statement of Investment Policy
 - Any other issue or situation of which the Investment Office, the external investment consultant, and/or SERS Board members become aware that is deemed material.

Removal from the Evaluation List

An investment manager may be removed from the Evaluation List when the Investment Office, in consultation with its external investment consultant, determines that the investment manager has satisfactorily met the quantitative or qualitative criteria for removal from the Evaluation List. Generally

for active investment managers, two consecutive quarters of rolling, three-year performance above the benchmark and a ranking above the median of the external investment consultant's peer group following placement on the Evaluation List will be required for an investment manager's removal from the Evaluation List for performance reasons. Generally for index fund investment managers, one period of rolling, three-year performance in line with the benchmark following placement on the Evaluation List will be required for an investment manager's removal from the Evaluation List for performance reasons. The Investment Office, in consultation with its external investment consultant, will typically make a decision to recommend retention or termination twelve (12) months following placing an investment manager on the Evaluation List. At the point of decision, the Investment Office, in consultation with its external investment consultant, may recommend renewing inclusion on the Evaluation List for an additional period of time subject to supporting due diligence.

D. Application of Criteria

1. The Evaluation List is a confidential internal document and will only be used for internal purposes.
2. The Investment Office, in consultation with its external investment consultant, will provide the SERS Board with a current Evaluation List at the same Board meeting when the RVK quarterly performance is provided to the SERS Board. The Evaluation List will include all investment managers which have been added or removed and a summary of the reasons for the addition or removal.
3. The Evaluation List will be provided to the SERS Board in executive session.
4. When an investment manager is placed on the Evaluation List, the Investment Office and external investment consultants will enhance its ongoing monitoring of the investment manager to assess whether or not genuine issues of concern actually exist.
5. If genuine issues of concern are identified, the Investment Office and its external investment consultant will assess the cause, magnitude, and likely duration of the issues.
6. If the analysis from the Investment Office, in consultation with its external investment consultant, reveals that the issues are not of concern, the investment manager will be removed from the Evaluation List.
7. If the investment manager resolves the issues of concern to the satisfaction of the Investment Office, in consultation with its external investment consultant, the investment manager will be removed from the Evaluation List.
8. If the Investment Office, in consultation with its external investment consultant, determines that the issues of concern have persisted without satisfactory resolution or are unlikely to be resolved within 12 months, then a recommendation on whether to retain the investment manager will be provided to the SERS Board.

9. In emergency situations, the Chief Investment Officer, in consultation with the SERS Board Chairman, may make investment decisions (i.e. halt trading or terminate an investment manager). Emergency situations are defined as those that are unforeseeable and in the absence of action, the Fund may be adversely impacted. In the event such action is taken, the SERS Board will be notified as soon as practical but no later than the next scheduled board meeting.

Appendix 1: 401(a) Plan Investment Manager Evaluation List (TEMPLATE)



Memorandum

To SERS Board Members
 From SERS Investment Office and RVK
 Subject 401a Plan Investment Manager Evaluation List
 Date <insert date>

The following is the 401a Plan Investment Manager Evaluation List (“Evaluation List”) as of <insert quarter-end date>. The Evaluation List is compiled in conformance with the criteria established in the Defined Contribution Plan Investment Manager Monitoring Policy adopted by the Board on June 13, 2018.

The placement of an investment manager on the Evaluation List does not automatically serve as evidence of a problem with the investment manager. The Evaluation List was developed to clearly communicate which investment managers have been identified as experiencing quantitative or qualitative pattern changes worthy of greater review by the Investment Office and its external investment consultant.

Summary

Manager	Asset Class	Strategy	Assets	Event Date
1. Additions Since Last Report				
2. On Evaluation List				
3. Deletions Since Last Report				

Evaluation List

Manager	Reason	SERS Investment Office & RVK Recommendation

ATTACHMENT C

EXECUTIVE SESSION MINUTES

Meeting: September 12, 2018

Executive Session

1. Fund Update
2. Pending Benefits and Administration Litigation Update
3. Classification, Release and Use of Nonpublic Information



Policy Name: Board Education Policy
Policy Number: 2017 POL-BD-06
Effective Date: July 26, 2017, as amended April 25, 2018, as amended September 12, 2018
Reviewed Date: July 26, 2017, April 25, 2018, August 2, 2018
Applies To: SERS Board Members and Designees
Contact Person: Board Education and Training Manager

Purpose

Board members, as the trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), and their designees are governing fiduciaries of the Fund and are subject to the exercise of that degree of judgment, skill and care that a prudent investor would observe under similar circumstances. Board members are required to successfully complete at least eight hours of training as specified in Act 2017-5 and identified below. Although not required in Act 2017-5, designees shall also be required to successfully complete at least eight hours of the training as specified in Act 2017-5 for Board members to complete. In addition, Board members and designees are also required to receive one hour of ethics training annually. Board members and designees should also individually and collectively aspire to develop an understanding of peer practices and the issues involved in managing large pools of assets. This policy sets forth the process for Board members and designees to receive such training, education and professional development. For purposes of this policy, "Chairperson" includes the Chairperson's designee.

Core Competencies

Board members and designees should aspire to develop a collective understanding of the following areas ("Core Competencies"). This policy does not contemplate that every member or designee become fully competent in each of these areas or that all Core Competencies must be represented on the Board. Rather, the Board should engage in a biennial evaluation and planning process focused on (a) identifying member skill sets and interests, (b) aspiring to foster development of individual and combined member Core Competencies that are as complete as practical, and (c) prioritizing development of any Core Competencies which are expected to be most needed over the next two to four years. The following nonexclusive list is merely for demonstration purposes and is not intended to reflect minimum competencies.

- (1) Fiduciary Responsibilities and Laws Relevant to the Board
- (2) Governance Structure, Practices and Policies
- (3) Regulatory and Legal Issues (*e.g.*, public records and open meetings law compliance, budget, state government oversight, tax law and plan qualification features, non-tax legal requirements etc.)

- (4) Investment Strategies and Retirement Portfolio Management (*e.g.*, asset allocation, benchmarks, performance measurement, investment risk, reporting standards, economic principles and related concepts)*
- (5) Standards of Conduct, Confidentiality, Conflicts of Interest, Ethics Code Provisions, Personal Investments and Related Disclosure Requirements**
- (6) Financial and Accounting Standards and Practice (*e.g.*, financial controls, audits, and compliance functions)
- (7) Benefits Design and Administration (*e.g.*, benefit plan features, risks inherent in benefits administration, basic administrative operations and processes)
- (8) Actuarial, Funding and Asset-Liability concepts*
- (9) Communications and Stakeholder relations
- (10) Best Practices for Governing Board and the Conduct of Meetings
- (11) Selection, Contracting, Monitoring and Evaluation of Advisors, Managers, Consultants and Other Service Providers
- (12) Materiality of Sustainability, Environmental, Societal and Corporate Governance Factors
- (13) Enterprise Risk Management and Oversight
- (14) Strategic Planning Processes
- (15) Pension Plan and Investment Industry Issues and Trends
- (16) Other Topics Related to Particular Issues that Arise

Skills Inventory and Education Plan

Section 5901(f) of the Retirement Code requires that each Board member is required to obtain eight hours of training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis (“Act 2017-5 Core Competency Training”). Effective January

* These Core Competencies are required for Board members pursuant to 71 Pa. C.S. § 5901(f), which provides: “Board Training.—Each Member of the Board will be required to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis.” The Board by this policy is also requiring designees to obtain annual training in these Core Competencies.

** This Core Competency is required for Board member and designees, in order to satisfy an annual ethics training requirement.

1, 2019, the Board is requiring designees to obtain Act 2017-5 Core Competency Training. Effective January 1, 2019, both Board Members and designees are also required to obtain one hour of ethics training on an annual basis (“Ethics Competency Training”) (hereinafter the Act 2017-5 Core Competency Training and Ethics Competency Training are cumulatively referred to as the “Mandatory Training”). The Board should undertake, in conjunction with receipt of any Board self-assessment results and in consideration of the Mandatory Training requirement, a biennial planning process to identify and prioritize those Core Competencies on which training is desired and required and those which are expected to be particularly important over the following two to four years. The Chairperson may request individual member preferences for participation in future training. A proposed education plan that contains Board and individual member educational goals and Mandatory Training requirements shall be developed for Board approval. The plan shall include an education budget to cover costs associated with authorized attendance at outside conferences, classes or training sessions. In addition to the required Mandatory Training, each Board member should attempt to receive or attend at least four hours of training on an annual basis (“Non-Mandatory Training”). Non-mandatory Training shall be in addition to any Mandatory Training requirements. Training hours earned for any Mandatory and Non-Mandatory Training shall be determined annually on December 31, effective for the calendar year commencing January 1, 2018. Up to four qualifying hours of Act 2017-5 Competency Training earned in a calendar year in excess of the required eight hours may be applied to the next calendar year. For any new members or designees, the annual training requirements shall commence on January 1 of the calendar year following their being seated on the Board or, in the case of designees, upon their designation as designee. Relevant training received through attendance at presentations approved by the Pennsylvania Public School Employees’ Retirement System, as part of the mandatory training requirements of Act 5 of 2017, may be counted toward the annual Act 2017-5 Core Competency Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement, upon approval of the Chairperson.

New Member and Designee Orientation

1. A formal orientation program, covering the Core Competencies outlined above as well as any other pertinent topics, shall be developed by the Executive Director for the benefit of new members and designees. The orientation may consist of a single session or multiple sessions. It should be scheduled and completed as soon as reasonably practical. The orientation may be conducted by SERS staff or outside experts, or both, and may include attendance at conference sessions, classes or seminars. Members and designees participating in an orientation shall receive credit for participation in Non-Mandatory Training.
2. Prior to attending their first meeting of the Board as a trustee or as a designee, and to the extent practicable, new members and designees shall be invited by the Chairperson or Executive Director to attend a meeting of the Board or a standing committee as an observer.

3. New members and designees shall, as soon as possible, and under the direction of the Executive Director, be:
 - a. Briefed on the history, background and structure of the Pennsylvania State Employees' Retirement System ("SERS").
 - b. Briefed on current issues before the Board;
 - c. Introduced to senior management;
 - d. Briefed on their fiduciary duties, conflict of interest guidelines, financial disclosure requirements, public records and open meetings laws, and other pertinent laws, policies and regulations; and
 - e. Provided with all relevant information and documentation deemed appropriate by the Chairperson or the Executive Director.
4. The Executive Director shall biennially review and, if necessary, update all orientation material and supply each member with those updates.
5. Participation in orientation sessions shall be open to all Board members and designees.

Mentorship

A new member may request assignment of a mentor to assist in becoming familiar with Board responsibilities. If requested, the Chairperson shall assign an experienced Board member to provide mentorship for up to a year.

Regular Ongoing Educational Opportunities and Budget

1. Training on many Core Competencies may be effectively taught by staff or experts from the Office of State Treasurer, Office of Attorney General, Office of General Counsel, Pennsylvania State Ethics Commission or other local sources. To assist Board members and designees in identifying quality educational opportunities that provide relevant training, the Executive Director shall compile and maintain a list of pre-approved educational events, based on the feedback of SERS members and SERS staff who have attended such events. The list shall be distributed to the Board at each regular meeting. Board members and designees may also suggest educational events for the Executive Director to consider in developing the list. Such training and educational events for Core Competencies may satisfy other professional development requirements (*e.g.*, continuing legal education credits for attorneys).
2. Members and designees may submit requests to the Executive Director for educational credit approval for attendance at outside educational events not listed on the list of pre-approved educational events.

3. Attendance at outside educational events shall be done in compliance with all applicable travel, business expense, budget, ethics code and standards of conduct limitations. Members and designees attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.
4. The Board with input from the Executive Director shall establish a budget to allow attendance at approved outside educational opportunities on a fair and impartial basis, pursuant to its education plan.
5. On a periodic basis throughout the year, members and designees shall be provided with updates as to credit received for Mandatory Training and Non-Mandatory Training.
6. The Executive Director shall provide regular opportunities for Board members and designees to receive industry periodicals, books and other materials that are relevant to development and maintenance of Core Competencies.
7. The Executive Director shall ensure that refresher training sessions are offered on a regular basis, in Board meetings or otherwise, with attention to specific Core Competencies and ethics training in the education plan. Board members may request scheduling of training on specific relevant topics. The Chairperson may also arrange for special educational presentations in coordination with the Executive Director.
8. Instructional materials for outside educational events received by the Executive Director from members or designees shall be made readily available for review by all members and designees.

Approval to Attend Outside Training with All or Part of Costs Paid for by the Board

Approval to attend an educational event with all or part of the costs paid being paid for by the Board must be obtained from the Chairperson and from the Board member for his/her designees, in advance of attending the event. Approval requests should include a reference to how the training fits the current Board education plan and specify whether the event is on the list of recommended educational events developed by the Executive Director.

Receiving Credit for Training Hours

The Executive Director shall establish the process by which members and designees shall follow in order to receive credit for attending Mandatory and Non-Mandatory Training.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
July 26, 2017	2017 POL- BD-06	SERS Legal Office	The policy the Board established setting forth the process for Board members to receive training, education and professional development.
April 25, 2018		SERS Legal OFFICE	Revised policy to allow for carryover of Mandatory Training credit hours and for utilization of Pennsylvania Public School Employees' Retirement System board training to satisfy Mandatory Training requirements.
August 2, 2018		SERS Legal Office	Revised policy to include: (1) One hour ethics training requirement, (2) Mandatory training requirements for designees, (3) Providing updates to members and designees on credits received, and (4) Credit being given for participation in member/designee orientation.



Policy Name: SERS Board Communications Policy
Policy Number: 2018-POL-BD-09
Effective Date: September 12, 2018
Reviewed Date: January 9, 2018
Applies To: SERS Board of Directors
Contact Person: SERS Communications and Policy Office

Purpose

To facilitate effective communication between and among the State Employees' Retirement System board ("Board") members, agency staff, system members, and other stakeholders and external parties.

Communication among Board Members

1. The Board shall carry out its activities in the spirit of open governance and in accordance with relevant law. The Board may conduct certain business in executive (closed) session in accordance with relevant law.
2. Board members shall communicate in an open, constructive, straightforward, and timely manner during meetings of the Board and committees.

Board Communication with System Members

3. Board members shall be aware of the risk of communicating inaccurate information to members and the potential exposure to liability and possible harm to a participant that may result from such miscommunications. Board members shall mitigate this risk by refraining from providing specific advice, counsel or education with respect to the rights or benefits a member may be entitled to under the State Employees' Retirement Code ("SERC").
4. In the event a member requests that a Board member provide explicit advice with respect to system policy on benefits, the Board member should refer the member to the Executive Director or his or her designee, or have the Executive Director or his or her designee contact the member. The Board member shall be informed of the outcome.

Board Communication with System Management

5. Board members shall direct questions regarding specific aspects of the system's administrative operations to the Executive Director or appropriate senior staff member.
6. Board members may direct questions to agency staff for information; however, Board members shall clearly indicate that the request is being made in their capacity as Board members.
7. Requests for information that require a significant expenditure of staff time or the use of external resources should be:
 - a. Formally requested and approved at a Board or committee meeting;
 - b. Directed to the Executive Director; and
 - c. Consistent with the policy role of the Board.
8. In the spirit of open communication, individual Board member shall share any information pertinent to the agency with the Executive Director in a timely manner. The Executive Director shall similarly share with the Board any information pertinent to the Board in a timely manner.
9. The Executive Director shall ensure that information that has been requested by the Board or by a Board member is made available to all Board members as appropriate.

Board Member Communication with External Parties

10. The Executive Director, the Chairperson or their designee shall serve as the spokesperson for the system, unless the Board designates the Chairperson or another member of the Board to serve as spokesperson on a specific issue. The following guidelines shall apply with respect to the spokesperson:
 - a. If time permits, and to the extent permitted by relevant State law, the spokesperson shall address sensitive, high profile issues with as many members of the Board as possible, prior to engaging in external communications. At a minimum, the Chairperson and Executive Director shall be contacted.
 - b. To the extent possible, in situations where Board policy concerning an issue has not been established, the Board or an appropriate committee shall meet to discuss the issue prior to the spokesperson's engaging in external communications.
 11. When asked to be interviewed or otherwise approached by the media for substantive information concerning the affairs of the system, the Board member should generally refer the matter to the Executive Director or spokesperson, and shall make no commitments on behalf of the Board or the system.
 12. In their external communications, the Board member shall:
 - a. Speak on behalf of the Board only when explicitly authorized to do so by the Chairperson;
 - b. Respectfully indicate (i) when they are representing a personal position, opinion, or analysis, whether the same or different from a Board-approved position, (ii) when their position, opinion, or analysis does not represent the official position of the Board, and (iii) when their position is in opposition to the position of the Board;
 - c. Indicate if they are speaking in a capacity other than that of a member of the Board; and
 - d. Make known to the Executive Director in a timely fashion if a personal position, opinion, or analysis was publicly communicated, such that it could receive media coverage. The Board member shall advise as to whom the communication was made and what was discussed.
 13. Board members may indicate publicly that they disagree with a policy or decision of the Board, but shall abide by the policy or decision to the extent this is consistent with their fiduciary duties.
 14. Communications by Board members, when acting in their capacity as Board member, should be consistent with their fiduciary duty to represent the interests of all system participants.
 15. Written press releases concerning the business of the system shall be the responsibility of the Executive Director and shall clearly and accurately reflect the provisions of the SERC and the policies of the Board. The Executive Director shall submit to the Chairperson for approval all press releases of a sensitive or high profile nature, or pertaining to Board policy.
 16. To ensure the accuracy of any Board-prepared materials for publication or general distribution, which are related to the affairs of the system, and to ensure that the system is not inadvertently placed at risk, Board members agree to provide such material in a timely manner to the Executive Director, or his or her designee, for review prior to distribution or publication.
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Document Properties

- a. **Document Owner:** SERS Board of Directors
- b. **Document Author:** Jay Pagni, Director of Communications and Policy
- c. **Document Appendices:** *SERS Communications Plan; SERS Crisis Communications Plan*
- d. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL-BD-09	Jay Pagni	The policy established by the Board to facilitate effective communication between and among the Board members, agency staff, system members, and other stakeholders and external parties.



Policy Name: Policy for Indemnification of Board Members, Designees, Officers and Employees
Policy Number: 2018 POL-BD-01
Effective Date: January 14, 2004, as amended September 12, 2018
Reviewed Date: January 9, 2018
Applies To: SERS Board Members, Designees, Officers and Employees
Contact Person: SERS Legal Office

Section 1: Indemnification and Insurance.

(a) Indemnification of Board Members, Designees, Officers and Employees.

(i) Each Indemnitee (as defined below) shall be indemnified and held harmless by the State Employees' Retirement System ("SERS") for all actions taken by such Indemnitee and for all failures to take action (regardless of the date of any such action or failure to take action) to the fullest extent permitted by Pennsylvania law against all expense, liability and loss (including without limitation attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding (as defined below). No indemnification pursuant to this Section 1 shall be made, however, in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted criminal conduct, willful misconduct or recklessness. All amounts advanced by SERS in Section 1 (b) for legal fees and expenses incurred in the defense of any Proceeding where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted criminal conduct, willful misconduct or recklessness shall be refunded to SERS.

(ii) The right to indemnification provided in this Section 1 shall include the right to have the expenses reasonably incurred by the Indemnitee in defending any Proceeding paid by SERS in advance of the final disposition of the Proceeding upon the receipt by SERS of a written undertaking by the Indemnitee to refund the amounts so advanced if it is ultimately determined that the Indemnitee is not entitled to indemnification under this Section 1.

(iii) Indemnification pursuant to this Section 1 shall continue as to an Indemnitee who has ceased to be a Board member, designee of a Board member, officer, or employee of SERS and shall inure to the benefit of such person's legal representatives, heirs, executors and administrators.

(iv) For purposes of this Policy for Indemnification, (A) "Indemnitee" shall mean each current or former i. Board member, ii. duly appointed designee of a Board member, iii. officer or iv. employee (including, without limitation, the attorneys in SERS' Office of Chief Counsel) of SERS who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that such person is or was a Board member, designee of a Board member, officer or employee of SERS or is or was serving in any capacity at

the request or for the benefit of SERS as a director, officer, employee, agent, partner, or fiduciary of, or in any other capacity for, any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise; and (B) "Proceeding" shall mean any threatened, pending or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of SERS), whether civil, criminal, administrative, investigative or through arbitration. If a Board member, officer or employee of SERS serves as a director, officer, employee, agent, partner or fiduciary of another entity and i. SERS has at least 50% equity in such other entity and such person has no equity interest in such other entity or ii. such other entity is directly or indirectly controlled by SERS, such person shall be presumed (unless SERS produces clear and convincing evidence to the contrary) to be serving in the position with the other entity at the request and for the benefit of SERS.

(b) Defense of Proceedings.

(i) Upon an Indemnitee's receipt of notice of the commencement of any Proceeding for which such Indemnitee intends to seek indemnification under this Policy for Indemnification, such Indemnitee shall give prompt written notice to SERS (to the attention of the Executive Director and the Chief Counsel) ("Indemnification Request"). In the defense of such Proceeding, the Indemnitee may either: (1) retain counsel of his or her choice at Reasonable Prevailing Market Rates, with SERS to advance the fees and expenses of such counsel, subject to Section 1 (b)(iii) ("Indemnitee Retained Counsel"), or (2) request SERS to assume the defense through counsel of SERS' choice ("SERS Counsel"). As used in this Policy, the term "Reasonable Prevailing Market Rates" shall mean the rates charged by attorneys with similar experience and expertise within the particular geographic area as Indemnitee Retained Counsel.

(ii) The Indemnification Request shall include Indemnitee's election ("Indemnitee's Election") to either retain Indemnitee Retained Counsel, along with the identity of Indemnitee Retained Counsel and their rates applicable to the engagement ("Counsel Fee Rates"), or to have SERS Counsel assume the defense.

(iii) If Indemnitee's Election provides for the engagement of Indemnitee Retained Counsel, SERS shall as soon as reasonably practicable; but not more than five (5) business days after the receipt of the Indemnification Request, review the Counsel Fee Rates to determine whether said Counsel Fee Rates are Reasonable Prevailing Market Rates and give written notice to Indemnitee of SERS' determination, as to whether they are Reasonable Prevailing Market Rates or not ("Reasonableness Determination"). If the Reasonableness Determination provides that the Counsel Fee Rates are not reasonable, SERS shall indicate the maximum Counsel Fee Rate that it will advance, with the Indemnitee to assume responsibility for the difference. If Indemnitee is unwilling to assume responsibility for the difference, Indemnitee may, within five (5) business days of Indemnitee's receipt of the Reasonableness Determination, request SERS Counsel pursuant to Section 1 (b)(i) above.

(iv) If Indemnitee's Election provides for the engagement of SERS Counsel, SERS shall notify Indemnitee of the identity of counsel appointed to represent the Indemnitee. If SERS does appoint counsel to represent an Indemnitee, the Indemnitee may engage other

counsel to participate in the defense of such Proceeding, but the fees and expenses of such other counsel shall be paid solely by the Indemnitee and shall not be reimbursed by SERS unless SERS shall otherwise agree. SERS shall have authority to settle any claim involving only monetary relief to be paid solely by SERS. SERS shall not settle any other claim without the prior written consent of the Indemnitee.

(c) Claims for Indemnification and Advancement of Expenses. To the extent that an Indemnitee has incurred actual expense in defense of any Proceeding or in defense of any claim, issue or matter therein, and has not been determined by a court to have engaged in criminal conduct, willful misconduct or recklessness pursuant to Section 1(a)(i) above, giving rise to said Proceeding, SERS shall indemnify such person against expenses (including attorneys' fees, but subject to the limitations in Section 1(a)(i) and subsection (b) above) actually and reasonably incurred by such person in connection therewith. If indemnification under this Section 1 or advancement of expenses are not made or paid by SERS, or on its behalf, within ninety (90) days after a written claim for indemnification or a request for an advancement of expenses by an Indemnitee has been received by SERS, such Indemnitee may, at any time thereafter, bring suit against SERS to recover the unpaid amount of the claim and/or the advancement of expenses. The right to indemnification and advancement of expenses provided hereunder shall be enforceable by an Indemnitee in the Board of Claims, and if indemnification and/or advancement of expenses is obtained by an Indemnitee in whole or in part, the expenses reasonably incurred by such Indemnitee in connection with obtaining such indemnification and/or advancement of expenses shall also be indemnified by SERS.

(d) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses provided in this Policy for Indemnification shall not be exclusive of any other rights that any person may have or hereafter may acquire under any statute, regulation, management directive or otherwise.

(e) Insurance. SERS may self-insure or purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any expense, liability or loss, in whole or in part, whether or not SERS would have the power to indemnify such person under Pennsylvania law. SERS may also self insure or purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

(f) Fund for Payment of Indemnification Obligations. To the extent permitted by law, SERS may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations under this Policy for Indemnification.

(g) Limitations on Indemnification. Notwithstanding the foregoing provisions,

(i) indemnification of an Indemnitee for any one claim or series of related claims based on the same action or failure to take action shall be limited to twenty-five million dollars (\$25,000,000);

(ii) no indemnification shall be provided to the extent an Indemnitee receives reimbursement under insurance policies or state programs of self-insurance, but in the event that such a claim is covered under an insurance policy maintained by SERS or a self-insurance plan established by SERS, the twenty-five million (\$25,000,000) dollar limit of indemnification stated in this section 1(g) shall be applied to cover any liability that is in excess of the limit of liability of such insurance policy or self-insurance plan; and

(iii) no indemnification shall be provided in cases involving any personal profit or advantage to which an Indemnitee was not legally entitled.

Section 2. Amendment. The provisions of this Policy for Indemnification shall constitute a contract between SERS and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section 2. This Policy for Indemnification may be repealed or amended without the consent of an Indemnitee for whom such repeal or amendment is adverse so long as such repeal or amendment applies to such Indemnitee only on a prospective basis and does not limit the rights of such Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
January 14, 2004	2004 POL- EO-01	SERS Legal Office	Adopted January 14, 2004 and assigned Policy Number November 10, 2015
January 9, 2018	2018 POL- BD-01	SERS Legal Office	Amendment to policy and assigned new policy number.



Policy Name: Policy on Placement Agent Disclosures
Policy Number: 2018 POL-BD-06
Effective Date: September 12, 2018
Reviewed Date: January 9, 2018
Applies To: SERS Board
Contact Person: SERS Legal Office

I. Purpose.

The Board must invest and manage the Pennsylvania State Employees' Retirement Fund (the "Fund") prudently, with the judgment, skill, and care that a prudent investor would observe under similar circumstances. As fiduciaries, Board members must invest and manage the Fund for the exclusive benefit of the members of the Pennsylvania State Employees' Retirement System ("SERS"). The Board may contract for the services of Investment Managers, investment advisors/consultants, and such other professional personnel as it deems advisable.

The purpose of this policy is to ensure the integrity of the Board's decision-making process, and the avoidance of any potential conflicts of interest (or the appearance of same) by requiring no payments to Placement Agents (see definition in Section II below) shall be made in connection with SERS' Investments in or through Investment Managers, including without limitation any and all third party sponsors of general partners and/or managers of hedge funds, private equity funds, real estate funds, infrastructure funds, and public securities transactions. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

II. Definitions.

"Investment" shall mean an actual or proposed investment of SERS funds as presented to and/or ultimately approved by the Board.

"Investment Manager" shall mean an asset management entity (e.g., general partner of a limited partnership; public securities manager, etc.) that is seeking to be, or has been, retained by SERS to manage an Investment for a fee.

"Placement Agent" shall mean any third party that has entered into an arrangement to be paid a Placement Fee to perform sponsoring and/or brokering services on behalf of an Investment Manager in connection with the placement/investment of specific investors (i.e., SERS and/or a third party investor).

"Placement Fee" shall mean any compensation or payment of a commission, finder's fee, bonus or any other benefit to be paid to a Placement Agent to perform sponsoring and/or brokering services on behalf of an Investment Manager, whether paid directly or indirectly, in connection with the placement/investment of specific investors (i.e., SERS and/or a third party investor). A Placement Fee could be paid in connection with an Investment ultimately made with an Investment Manager by SERS and/or an investment made by a third party investor, to broker an

introduction between the Investment Manager and SERS and/or a third party investor, or for making a favorable recommendation regarding a specific Investment Manager to SERS and/or a third party investor.

"Related Parties" shall mean employees, officers, directors, managers, owners, agents or affiliates.

"Third Party Marketer" shall mean any third party that performs general marketing services for an Investment Manager. If the marketer of an Investment Manager receives a Placement Fee in exchange for its services, such marketer shall be considered a Placement Agent (and not a Third Party Marketer) for purposes of this policy.

III. Policy Statement.

SERS shall not make an Investment with an Investment Manager that has utilized a Placement Agent and/or paid a Placement Fee to solicit an Investment by SERS and/or to gain access to SERS in connection with an Investment.

In the event that an Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering, or to gain access to a third party investor in connection with such investment, SERS shall not bear any portion of such cost directly or as a limited partner in a partnership (or any parallel investment entity).

For clarification purposes, an Investment Manager's use of a Third Party Marketer to market the Investment Manager in general (and not in connection with the placement/investment of specific investors and/or it did not receive a Placement Fee in exchange for its marketing services), is not subject to this policy, as it does not consider a Third Party Marketer to be a Placement Agent for purposes hereof.

IV. Placement Agent Disclosure & Reporting.

SERS' Investment Office (the "IO") shall provide each Investment Manager with a copy of this policy.

Prior to the completion of due diligence and any recommendation to proceed with the engagement of an Investment Manager, the IO shall require that each Investment Manager complete and deliver a Placement Agent Disclosure Form. The Placement Agent Disclosure Form shall request the information identified on Exhibit A attached hereto.

The completed Placement Agent Disclosure Form shall be submitted to the IO, and the Managing Director of the asset class for which the particular Investment Manager performs Investment services shall be responsible for reviewing same. The IO shall also provide a copy of the completed Placement Agent Disclosure Form to the Board (prior to its review or approval of any potential Investment with such Investment Manager). If a potential Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an Investment by SERS, or to

gain access to SERS in connection with an Investment, such Investment Manager shall be automatically disqualified from transacting with SERS. If a potential Investment Manager has used a Placement Agent and/or paid a Placement Fee to solicit an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering, or to gain access to a third party investor in connection with such investment, the IO should make note of same, as well as the manner in which the Investment Manager (and not SERS as a limited partner of such partnership) is making such payment, in the materials presented to the Board for review and consideration prior to its vote to approve the proposed Investment.

Each Investment Manager shall notify the IO of any changes that make the statements made in its Placement Agent Disclosure Form no longer accurate within ten (10) business days of the date that the Investment Manager knew or should have known of the change. The IO shall be responsible for ensuring that the Placement Agent Disclosure Forms reviewed by the Board are up to date.

Annually, the IO shall prepare a report which identifies the Placement Agents retained by Investment Managers in connection with third party investors and the Placement Fees received (or to be received) by such Placement Agents, as disclosed in the Placement Agent Disclosure Forms submitted (and/or updated) in the prior year. The report shall be submitted to the Board on an annual basis.

Any agreement between SERS (or any entity organized for the purpose of investing SERS' funds) and an Investment Manager (or its Related Parties) shall include terms that are substantially similar to those in Exhibit B attached hereto.

An Investment Manager and its Related Parties shall not be considered for new Investments from SERS for three (3) years after the Investment Manager or its Related Parties has committed a material violation of this policy. However, this prohibition may be reduced by the Board for good cause at its sole discretion.

Exhibit A

Requirements of Placement Agent Disclosure Form

The Placement Agent Disclosure Form shall request the following information:

1. A statement whether the Investment Manager or its Related Parties has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with an Investment by SERS;
2. A statement whether the Investment Manager or its Related Parties has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with an investment by a third party investor in a partnership (or any parallel investment entity) in which SERS is considering;
3. A resume of each officer, partner or principal of the Placement Agent (and any employee providing similar services in connection with the Investment) detailing the person's education, professional delegations, regulatory licenses and investment/work experience. Investment Managers shall note whether any such person is a current or former Board member, SERS employee or consultant, or a member of the immediate family of such a person;
4. The names of any current or former Board members or SERS employees or consultants who are either employed by or receiving compensation of any kind, directly or indirectly, from the Placement Agent;
5. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent in connection with an Investment, including the nature, timing and value thereof;
6. A description of the services to be performed by the Placement Agent;
7. A statement disclosing whether the Placement Agent is utilized by the Investment Manager or its Related Parties with all prospective investors, a subset of prospective investors, or a single prospective investor;
8. The names of any current or former Board members or SERS employees or consultants who suggested the retention of the Placement Agent;
9. A statement that the Placement Agent is registered with the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA), and the details of such registration (or an explanation as to why no registration is required); and
10. A statement whether the Placement Agent or any of its Related Parties is registered as a lobbyist with any state, federal or foreign government.

Exhibit B

Investment Manager Contract Requirements

Any agreement between SERS (or any entity organized for the purpose of investing SERS' funds (a "SERS Investor")) and an Investment Manager (or its Related Parties) that is entered into or amended after the adoption of this policy shall include terms substantially similar to the following¹:

- The Investment Manager and its Related Parties shall comply with this policy.
- The Investment Manager and its Related Parties shall not use Placement Agents and/or pay Placement Fees in connection with an Investment by SERS.
- The Investment Manager and its Related Parties shall be solely responsible for any Placement Fees paid to Placement Agents in connection with an investment by any third party investor in a partnership (or any parallel investment entity) in which SERS is considering and/or ultimately participates. SERS or any SERS Investor shall not pay any Placement Fees directly or as a limited partner in a partnership (or any parallel investment entity).
- The Investment Manager represents and warrants that the information included in the Placement Agent Disclosure Form is accurate and complete, and that it shall update such form within ten (10) business days of the date that the Investment Manager knew or should have known of the change in circumstances.
- If the Board determines that the Investment Manager or a Related Party knew or should have known of any material omission or inaccuracy in its responses to the Placement Agent Disclosure Form, or has otherwise violated this policy, SERS shall have the option to (a) require the Investment Manager to pay an amount equal to the greater of (i) all management or advisory fees for two (2) years, or (ii) the Placement Fees paid or promised to be paid to the subject Placement Agent; and/or (b) terminate its investment relationship with the Investment Manager (to the extent possible). Such remedies shall not be deemed to be the exclusive remedies for such a violation, and shall be in addition to all other remedies deemed proper by a court of competent jurisdiction.
- Termination of the relationship with the Investment Manager may take the following forms, as determined by the Board and depending on the assets managed/Investment type:

¹ Some of these terms may be incorporated via a side letter. Please see Exhibit C attached to this policy for model language for an Investment in a private equity vehicle.

- Immediate termination of the contract with the Investment Manager;
- Immediate withdrawal without penalty from a Limited Partnership vehicle, including the termination of any obligation to make future capital contributions and/or any other payments to the Limited Partnership vehicle, including payments for management or incentive fees (e.g., carried interest);
- Removal of the general partner from a Limited Partnership vehicle, forfeiture of SERS' pro rata share of its management fee and/or carried interest in connection therewith, and/or the termination of any obligation to make future capital contributions; and/or
- Immediate redemption of the Investment.

Exhibit C

Model Language for Side Letter Between SERS and Investment Manager in Limited Partnership Investment Vehicle

The General Partner has received a copy of the Investor's Policy on Placement Agent Disclosures and shall comply with its terms in all respects. The General Partner hereby represents and warrants that all information contained in its Placement Agent Disclosure Form, as amended, is true, accurate and complete in all material respects as of the date hereof. If the Investor determines in its sole discretion that such Placement Agent Disclosure Form contains a material inaccuracy or omission that the [Investment Manager] knew or should have known at the time of its submission to Investor, then the Investor shall have the option, in its sole discretion, and without liability to the [Partnership], [General Partner], or any [Limited Partner] or other third party affiliated with or controlled by the [Partnership] or [General Partner], to terminate its unfunded capital commitment to the [Partnership], and to cease making further capital contributions, [advances of preferred capital] or other payments to the Partnership, including payments for management fees and/or carried interest, and to pursue all remedies that may otherwise be available to the Investor without being deemed a [defaulting limited partner] under the [Partnership Agreement] and without incurring any other penalty under any agreement to which it is a party. This representation and warranty is given for the benefit of the Investor with the understanding that the Investor is relying upon the statements contained herein as a basis for entering into and committing funds under the [Partnership Agreement] and Subscription Agreement.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL-BD-06	SERS Legal Office	The policy the Board has established to ensure the integrity of the Board's decision-making process, and the avoidance of any potential conflicts of interest (or the appearance of same) by requiring no payments to Placement Agents.



Policy Name: Recusal Policy
Policy Number: 2018 POL-BD-12
Effective Date: December 8, 2010, as amended September 12, 2018
Reviewed Date: January 9, 2018
Applies To: SERS Board Members and Designees
Contact Person: SERS Legal Office

Policy

For the Board's protection, this policy provides a refresher on some of the salient points arising out of the State Ethics Act¹, the Governor's Code of Conduct², SERS' Bylaws³ and the Board's Ethical Conduct Policy⁴.

Any recusal (abstention) from a vote by a Board member or designee must be:

- Made prior to any discussion on the matter; and
- Announced verbally, along with the reason for the recusal, during the public Session of any Board or committee meeting; and
- Also be provided in writing (we would greatly appreciate receiving your signed recusal form prior to your departure at the close of the Board or committee meeting).

To avoid any appearances of impropriety or potential entanglements with the State Ethics Commission or other bodies, it is urged that these points be kept in mind during Board and committee meetings. Also, please bear in mind that recusal on an issue means that the Board member (and his or her designee, if any) is precluded by law not only from voting on, but also from participating in any of the discussions regarding, that issue. This prohibition is expressly contained in the Governor's Code of Conduct, as incorporated into the Board's Ethical Conduct Policy, which provides in pertinent part that a Board member or designee who has a conflict of interest "may not ... participate in the negotiation of or decision to award contracts ... "

¹ 65 Pa.C.S.A. §1103(j).

² 4 Pa Code §7.151

³ Section 2.9

⁴ 2018 POL-BD-11

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Samuel Yun, Chief Counsel
- c. **Summary of Changes:** Assigned New Policy Number and Revised Policy Number for the referenced Ethical Conduct Policy

Date	Version	Author	Summary
November 10, 2015		Barbara Kiral	Assigned New Policy Number
January 9, 2018		Chris Houston	Assigned New Policy Number to replace policy #2010 POL-EO-07, established December 8, 2010 and Revised Policy Number for the referenced Ethical Conduct Policy



Policy Name: SEC "Pay-to-Play" Rule Compliance and Reporting Policy
Policy Number: 2018 POL-BD-08
Effective Date: September 12, 2018
Reviewed Date: January 9, 2018
Applies To: SERS Board
Contact Person: SERS Legal Office

I. Purpose.

Rule 206(4)-5 (the "Rule") of the Investment Advisers Act of 1940 (the "Act"), with limited exceptions, prohibits Investment Advisers covered by the Act from receiving compensation from a government entity for investment advisory services for a period of two years from the date of the Investment Adviser's (or their covered associate's) Contribution to an Official. This policy describes the manner by which Board members shall (i) apply the Rule, and (ii) report activities prohibited thereunder. This policy also establishes how the Board shall respond in the event of any violation of the Rule. In the event of a conflict between the Rule and this policy, the provisions of the Rule shall prevail. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

II. Definitions.

"Associated Parties" shall mean and include any general partners, managing members, executive officers, or employees of the Investment Adviser, and/or any third parties affiliated therewith (e.g., spouses, relatives, lawyers, agents, consultants, companies, etc.).

"Contribution" shall mean and include any gift, subscription, loan, advance, or deposit of money or anything of value made for:

- (i) The purpose of influencing any election for Federal, State or local office;
- (ii) Payment of debt incurred in connection with any such election; or
- (iii) Transition or inaugural expenses of the successful candidate for State or local office.

"Investment Adviser" shall mean and include a federally registered investment manager/adviser, or any individual or entity that is otherwise subject to the Rule, which is engaging or seeking to engage in or extend an Investment Relationship with the Pennsylvania State Employees' Retirement System ("SERS").

"Investment Relationship" shall mean and include a compensated relationship between SERS and an Investment Adviser for the purpose of providing investment-related services covered by the Rule, such as money management services, and/or investment advice or consulting (including recommendations for the placement or allocation of investment funds), for funds or assets overseen by the Board.

“Official” shall mean and include any person (including any election committee for the person) who was, at the time of the contribution, an incumbent, candidate or successful candidate for elective office of a government entity, if the office:

- (i) Is directly or indirectly responsible for, or can influence the outcome of, the hiring of an Investment Adviser by a government entity (e.g., SERS); or
- (ii) Has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an Investment Adviser by a government entity (e.g., SERS).

III. Prohibition of Contributions by Investment Advisers.

SERS shall not knowingly enter into an Investment Relationship with an Investment Adviser if the Investment Adviser has made a Contribution to an Official within the past two years. This prohibition shall apply to Contributions made directly by the Investment Adviser or indirectly through Associated Parties.

However, this prohibition shall not apply to Contributions made by Investment Advisers (and/or their Associated Parties) to Officials for whom they (i) were entitled to vote at the time of the Contribution and which in the aggregate do not exceed \$350 to any one Official, per election, and (ii) were not entitled to vote at the time of the Contribution and which in the aggregate do not exceed \$150 to any one Official, per election. This policy imposes no restrictions on activities such as making independent expenditures to express support for candidates, volunteering, making speeches, and other similar conduct.

Prior to the completion of due diligence and any recommendation to the Board to engage an Investment Adviser, in addition to any other “pay-to-play”/campaign finance reporting inquiries made part of SERS’ standard due diligence processes, SERS’ Chief Investment Officer (“CIO”) and/or SERS’ Investment Office shall request and receive the following information from the Investment Adviser:

- During the last two years, has the Investment Adviser, and/or any of its general partners, managing members, executive officers, employees, owners, and/or any third parties affiliated therewith (e.g., spouses, relatives, lawyers, agents, consultants, companies, etc.) made, coordinated or solicited any campaign contributions to a member of the Board and/or to a government official?
- If yes, identify (i) the date of the campaign contribution, (ii) the person or entity making, coordinating or soliciting the campaign contribution, (iii) the person or entity receiving the campaign contribution, and (iv) the amount of the campaign contribution.

The CIO shall provide for Contributions disclosed by an Investment Adviser to be reported to the Board, the Executive Director, and the Chief Counsel, and all such disclosures shall be reviewed by SERS and the Board in connection with discussions of an Investment Relationship with the disclosing Investment Adviser.

If a Board member becomes aware that an Investment Adviser and/or Associated Parties have made a Contribution to an Official which is prohibited by this policy, the Board member shall immediately report the Contribution to the CIO, the Executive Director, and the Chief Counsel.

Any Board member who knowingly receives or has received a Contribution from an Investment Adviser and/or Affiliated Parties thereof (even if such Contribution is ultimately returned) shall immediately disclose the Contribution to the CIO, the Executive Director, and the Chief Counsel.

Any agreement, or supporting documentation (e.g., side letters, due diligence questionnaires), involving an Investment Relationship between SERS and an Investment Adviser that is entered into after the effective date of this policy shall be proposed to include terms that are substantially similar to those in Exhibit A, subject to negotiation:

Exhibit A

Model "Pay-to-Play"/Political Contributions Reporting Language for Agreements Between SERS and an Investment Adviser

- For Investment Management Agreements (IMAs):

MANAGER hereby represents and warrants to SERS that it is, and shall at all times during the term of this Agreement continue to be, in compliance with any and all federal and state securities laws and regulations, as well as all other applicable laws, rules and regulations, including without limitation those relating to the (i) licensing of its personnel, and (ii) recordkeeping/reporting of any contribution as required by (A) United States Securities and Exchange Commission ("SEC") Rule 206(4)-5 (the "Rule"), and (B) the Pennsylvania Campaign Finance Act (Article XVI of the Pennsylvania Election Code; see 25 P.S. §§ 3252, 3260a, and 3550).

In order to ensure its compliance with the Rule (regardless of whether MANAGER may otherwise qualify for any exceptions/exemptions thereunder), on or before February 15th of each year during the term of this Agreement, MANAGER shall submit annually to SERS' Chief Counsel (i) a report of any contribution made by MANAGER, any of its executive officers, and/or any of its covered associates, to any official of a government entity of the Commonwealth of Pennsylvania during the previous calendar year (as such terms have been defined in the Rule), including without limitation any current or previous SERS' board member(s) or employee(s), or (ii) an affirmative written statement that no such contributions were made during the previous calendar year.

- For Limited Partnership Agreement Side Letters:

Compliance with Laws. The General Partner's conduct and actions for and on behalf of SERS shall be in compliance at all times with federal and state securities laws and regulations, and all other applicable laws, rules and regulations, including but not limited to those relating to the licensing of its personnel. The General Partner shall comply with the United States Securities and Exchange Commission ("SEC") Rule 206(4)-5 (the "Rule"), including, but not limited to recordkeeping of contributions as required by the Rule.

In order to ensure its compliance with the Rule (regardless of whether the General Partner may otherwise qualify for any exceptions/exemptions thereunder), on or before February 15th of each year during the term of the Partnership, the General Partner shall submit annually to SERS' Chief Counsel (i) a report of any contribution made by the General Partner, any of its executive officers, and/or any of its covered associates, to any official of a government entity of the Commonwealth of Pennsylvania during the previous calendar year

(as such terms have been defined in the Rule), including without limitation any current or previous SERS' board member(s) or employee(s), or (ii) an affirmative written statement that no such contributions were made during the previous calendar year.

Reporting Political Contributions. In addition to any applicable obligations of the General Partner and its Affiliates under Advisers Act Rule 206(4)-5, the Investor has represented to, and the General Partner (on behalf of itself and its Affiliates) understands and acknowledges that the General Partner is subject to the reporting requirements set forth in 25 P.S. § 3260a of the Pennsylvania Campaign Finance Act (Article XVI of the Pennsylvania Election Code). In consideration of the foregoing, the General Partner hereby agrees that if required to submit a report under Pennsylvania law, it shall provide to the Investor a copy of (i) its most recent report submitted to the Secretary of the Commonwealth of Pennsylvania, and (ii) each successive report (if any) by February 15th of each year during the term of the Partnership.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL- BD-08	SERS Legal Office	This policy replaces policy #2010 POL-EO-00 established September 8, 2010 and describes the manner by which Board members shall (i) apply the SEC Pay-to-Play Rule, and (ii) report activities prohibited thereunder. This policy also establishes how the Board shall respond in the event of any violation of the Rule and changed the policy number.



Policy Name: Ethical Conduct Policy
Policy Number: 2018 POL-BD-11
Effective Date: January 24, 2007, as amended September 12, 2018
Reviewed Date: January 9, 2018
Applies To: Board Members or Public Officials
Contact Person: SERS Legal Office

Background

The State Employees' Retirement Board (the "board") is aware of its fiduciary obligations and the need to conduct itself in accordance with high ethical standards. Although the members of the board feel that they have conducted themselves in a manner satisfying such obligations and complying with such standards, the board has concluded that it will be beneficial to establish a clear ethical conduct policy with which all board members and, where applicable, their designees are to comply, including, but not limited to board members' recusal from acting on any matter which presents a possible conflict of interest.

Policy

In order to assure members of the State Employees' Retirement System ("SERS") that board members and designees of board members are conducting themselves in a manner consistent with their fiduciary obligations and in accordance with high ethical standards, such members and designees shall comply with the following requirements (see attachment).

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Legal Office
- c. **Summary of Changes:** Revised provisions of the policy

Date	Version	Author	Summary
12/15/2015		Rose Agnew	Assigned New Policy Number
January 9, 2018		Chris Houston	Revised policy #2007 POL-EO-02 established January 24, 2007 and assigned a new policy number.

ETHICAL CONDUCT POLICY

BACKGROUND

The State Employees' Retirement Board (the "Board") is aware of its fiduciary obligations and the need to conduct itself in accordance with high ethical standards. Although the members of the Board feel that they have conducted themselves in a manner satisfying such obligations and complying with such standards, the Board has concluded that it will be beneficial to establish a clear ethical conduct policy ("Policy") with which all Board members and, where applicable, their designees are to comply, including, but not limited to Board members' recusal from acting on any matter which presents a possible conflict of interest.

POLICY

In order to assure members of the State Employees' Retirement System ("SERS") and participants in the State Employees' Defined Contribution Plan and the State Employees' Deferred Compensation Plan (hereafter referred to collectively as the "Plans") that Board members and designees of Board members are conducting themselves in a manner consistent with their fiduciary obligations and in accordance with high ethical standards, such members and designees shall comply with the following requirements (copies of the statutory or code of conduct provisions referenced herein are set forth in Appendix A hereto):

1. In making investment decisions, they shall exercise that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of funds, considering the income to be derived therefrom as well as the probable safety of their capital. The foregoing requirement shall be applied on a total portfolio basis with a recognition of the prudence and advantages of reasonable diversification for SERS, in terms of reducing the volatility of returns and risk management.
2. In taking action on any investments, disbursements of moneys, or any other transactions of SERS, including actions relating to the Plans, neither they nor, to their knowledge, any of their immediate family members (such person's spouse, parents, children and siblings and the spouses of any such individuals) shall profit therefrom, either directly or indirectly, and they shall invest and manage the moneys and other assets of SERS and the Plans for the exclusive benefit of the members of SERS and the participants in the Plans, subject to any limitations, exceptions and directives in any applicable law.
3. They shall not engage in conduct that is described as a conflict under either 65 Pa. C.S.A. §1102 or 4 Pa. Code §7.151.
4. They shall not attempt to direct a member of SERS staff, a SERS advisor or consultant, or a fellow Board member to a specified action or decision through the use of any improper

or wrongful pressure, scheme, or threat intended to cause someone to act in a way they would not otherwise act if left to act freely.

5. They shall refrain from knowingly soliciting campaign or charitable contributions from SERS staff and SERS contractors and shall comply with all SERS policies, laws, regulations, and codes of conduct applicable to the solicitation of or reporting requirements for the receipt of any campaign or charitable contributions.

6. They shall not knowingly solicit or accept, for themselves or for any other person or entity, including their immediate family (their spouse, parents, children and siblings and the spouses of any such individuals), a gift, gratuity, favor, entertainment, loan or other thing of monetary or economic value (except where its value is truly de minimis or where it is being received by virtue of being a member of a broad general class, such as being a shareholder of a public corporation) from those persons and entities, including the affiliates of such persons and entities, engaged or proposing to engage in investments or transactions with SERS, including those related to the Plans.

7. All security transactions for any accounts they manage or control shall be done in a manner that avoids the appearance of impropriety. Accordingly, no Board member shall engage either in:

- (a) Insider trading, which is an illegal activity in which a person makes trades based on proprietary and confidential information they received about a security that investors generally do not know, or
- (b) Front running, which is an illegal activity in which a person, knowing an institution or firm is about to make a market-moving trade in a security, takes or sells a position in that security “in-front” of the trade to make a personal profit.

These prohibitions apply even if a Board member’s position on the Board ceases and until such time, if ever, as the information has become generally available to the public, other than through disclosure by or through the Board member or a related person.

8. They shall adhere to the Board Confidentiality Policy and not use confidential information that they obtain in the performance of their duties as Board members for the benefit of themselves or any other person or entity, other than members of SERS or participants of the Plans.

9. They shall not enter into any agreement for compensation for services rendered or to be rendered to any person or entity in connection with any investments or transactions involving SERS or the Plans.

10. They shall disclose all conflicts of interest, potential conflicts of interest, and situations that could reasonably be perceived as creating conflicts of interest and such disclosure shall be made prospectively, or as soon as reasonably practicable. The disclosures shall be made in writing to the Chief Compliance Officer who shall notify the Board Chairperson, who shall be required to present to the Board a list of such disclosures.

11. In order to promote and facilitate compliance with the highest ethical standards and in furtherance of providing disclosure and transparency, they shall prior to commencement of service as a Board member (including designees) and annually thereafter on or before May 1st, file with the SERS Chief Compliance Officer:

- An Annual Questionnaire on Conflict of Interests (“Questionnaire”) in the form then being used by SERS;
- A copy of the State Ethics Commission Statement of Financial Interests required to be filed pursuant to the provisions of the Public Official and Employee Ethics Act, 65 Pa. C.S. §1101 *et seq.*; and
- If applicable, a copy of the Code of Conduct Statement of Financial Interest required to be filed under the Governor’s Code of Conduct promulgated by Executive Order 1980-18, as amended.

12. They shall recuse themselves from the vote by the Board or committee on any matter involving a conflict of interest with respect to them or to their knowledge with any of their immediate family members (such person’s spouse, parents, children and siblings and the spouses of any such individuals). This requirement shall be read broadly, and Board members and designees of Board members are encouraged to recuse themselves if there is any possibility that a conflict of interest could be perceived to exist or could create an appearance of impropriety. Recusal shall not imply that a conflict of interest actually exists; rather, it shall only imply that a conflict of interest may exist or may be perceived to exist. A Board member who would recuse on a matter if personally present at the relevant Board or committee meeting and who is being represented at such Board or committee meeting by a designee shall instruct such designee to recuse based on the possible conflict of interest of such Board member and such designee then shall so recuse himself or herself even if the designee would not otherwise recuse. Furthermore, for any matter coming before the Board or a Board committee in executive session involving a conflict of interest, the Board member or designee, if the Board member is not present, shall not participate nor attend the executive session in which the matter is to be considered, and shall recuse himself or herself from voting on the matter when the Board or Board committee returns to open session. The reason for any recusal shall be stated at the relevant Board or committee meeting and a written recusal on the form then being used by SERS shall be filed with SERS’ Secretary. Examples of possible conflicts of interest are set forth in Appendix B, such examples being illustrative and not exhaustive.

13. A matter before the Board shall not be deemed a conflict of interest where such matter may bestow a benefit on a Board member and the benefit in question is merely incidental to the Board member’s membership in a large class such as the class of SERS members or as a participant in the Plans.

14. Board members shall in a timely manner make disclosures required under this policy or report any suspected violations of this Policy to the Chief Compliance Officer who shall notify the Board Chairperson, who shall ensure that such suspected violations are considered by the Board, along with any supporting information. (Should the Board Chairperson be the subject of the suspected violation, the Chief Compliance Officer shall instead report the matter to the Assistant Chairperson or the Chairperson of the SERS Audit Committee, who

shall report the matter to the Board). Upon consideration and all necessary analysis of such suspected violations, the Board may take any of the following actions:

- a) Refer the matter to the Audit Committee to investigate the suspected violations further;
- b) Make a finding that no violation has occurred;
- c) Where the alleged violation pertains to a breach of the law and the Board has determined that there are sufficient grounds to support the suspected violations, refer the matter to the appropriate authorities;
- d) Make a finding that a violation has occurred, and may take any of the following actions:
 - i) Communicate the findings of the Board to any appointing authority, if applicable, or to any other party and by any means the Board deems appropriate.
 - ii) Any other action the Board deems suitable under the circumstances.

15. Any Board Member who is the subject of a suspected violation of these Standards shall:

- a) Be informed of the suspected violations and provided an opportunity at a Board meeting (and a Board committee meeting, if applicable) to respond to the suspected violations. The Board shall endeavor to provide the Board member with adequate notice of such meeting, where circumstances permit; and
- b) Recuse himself or herself from any Board or Board committee review or discussion in relation to the violation, except when invited to respond to the suspected violations.

16. Should a Board Member be unsure of any provision of this policy or related laws and the implementation thereof, they are expected to seek advice or clarification from SERS Chief Counsel.

The foregoing requirements may incorporate or expand on some of the requirements in existing statutes and applicable directives and codes of conduct, but they are not intended to supplant those requirements. In addition to complying with the foregoing requirements, Board members and designees of Board members must comply with all such other applicable requirements.

APPENDIX A

65 Pa. C.S.A. § 1102. Definitions

“Conflict” or “conflict of interest.” Use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated. The term does not include an action having a de minimis economic impact or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the public official or public employee, a member of his immediate family or a business with which he or a member of his immediate family is associated.

4 PA. Code § 7.151. Adverse pecuniary interest.

An employee, appointee or official in the Executive Branch of the Commonwealth may not do the following:

- (1) Engage directly or indirectly in business transactions or private arrangement for profit which accrues from or is based upon his official position or authority.
- (2) Participate in the negotiation of or decision to award contracts, the settlement of claims or charges in contracts, the making of loans, the granting of subsidies, the fixing of rates, or the issuance of permits, certificates, guarantees or other things of value to, with or for an entity in which he has a financial or personal interest.
- (3) Hold any pecuniary interest in, or own shares or securities issued by, an entity regulated by 4 Pa.C.S. Part II (relating to the Pennsylvania Race Horse Development and Gaming Act) (herein, a “regulated gaming entity”). This provision does not apply to interests held:
 - (i) In mutual funds when the value of the interest owned does not exceed one percent of the total fair market value of the regulated gaming entity.
 - (ii) Through defined benefit pension plans.
 - (iii) Through a deferred compensation plan organized and operated under section 457 of the Internal Revenue Code of 1986 (26 U.S.C.A. § 457).
 - (iv) In blind trusts over which the holder may not exercise any managerial control or receive income during the time period the holder is subject to these provisions.
 - (v) Through a tuition account plan organized and operated under section 529 of the Internal Revenue Code (26 U.S.C.A. § 529).
 - (vi) Through a plan described in section 401(k) of the Internal Revenue Code (26 U.S.C.A. § 401(k)).
 - (vii) In an employer profit-sharing plan qualified under the Internal Revenue Code.
 - (viii) In a regulated gaming entity prior to July 6, 2004, by individuals other than the following:
 - (A) Employees of the Pennsylvania State Police or the Department of Revenue whose duties include any aspect of the gaming industry.
 - (B) Members of the State Horse Racing Commission or the State Harness Racing Commission and their respective staff.

- (C) Public officials appointed by the Governor and Commonwealth employees under the Governor's jurisdiction.
- (D) Members of the board of the Public School Employees Retirement System and its employees.
- (E) Members of the board of the State Employees Retirement System and its employees.
- (F) Members of the board of the Independent Regulatory Review Commission and its employees.

APPENDIX B

Possible conflicts of interest include situations where the Board member or designee:

- a. has a personal bias or prejudice concerning a party that would affect his or her judgment in the matter;
- b. knows that he or she, or any member of his or her immediate family or a business with which he or she or a member of his or her immediate family is associated, has a financial interest (e.g. possesses a direct or indirect financial, property, leasehold, ownership or other beneficial interest) in the subject matter at issue or in a party involved in the matter or an affiliate of such party (an affiliate of a party being a person or entity controlling, controlled by or under common control with such party);
- c. knows that he or she, or any member of his or her immediate family, has more than a de minimis interest that could be substantially affected by the proceeding (e.g., voting in an administrative proceeding that would materially impact the pension benefit of him or her or any member of his or her immediate family); or
- d. receives, or knows that any member of his or her immediate family receives, any meals, lodging, tickets, use of sports facilities, transportation or other things of value from a party involved in the matter or an affiliate of such party or any officer, director, partner, member, trustee or employee of such party or affiliate.



Policy Name: SERS Board Travel Policy
Policy Number: 2018 POL-BD-10
Effective Date: September 12, 2018
Reviewed Date: July 17, 2018
Applies To: All SERS Board Members and Designees
Contact Person: SERS Executive Office
717.787.9657

Purpose

Board members, as trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), are governing fiduciaries of the Fund and are subject to the exercise of that degree of judgment, skill and care that a prudent investor would observe under similar circumstances. As part of their duties, board members are encouraged to attend as many board and committee meetings and events as possible, related to their service on the board. Accordingly, board members are authorized to travel in the performance of their responsibilities. This policy provides guidance to the board ("SERS Board Member Travel Policy") and establishes guidelines for all SERS board members and designees traveling on official SERS business (herein "Business Travel").

The SERS Board Member Travel Policy supplements and operates in conjunction with:

- Commonwealth Directive 230.1 (the "Commonwealth Travel Procedures Manual") and Commonwealth Management Directive 230.10 (the Commonwealth Travel Policy), as each may be amended from time to time, as supplemented by Executive Resolution ER-86-064, attached hereto;
- SERS Ethical Conduct Policy;
- Public Official and Employee Ethics Act;
- Governor's Code of Conduct (applicable to gubernatorial appointees);
- Legislative Code of Ethics (applicable to legislative members); and
- Any other applicable regulations, directives and executive orders (which, along with SERS Travel Policy, are collectively the "Travel Rules"), as applicable to each board member and designee.

Policy and Guidelines:

- A. Prior to arranging and embarking on Business Travel, all SERS board members and designees are to familiarize themselves with the Travel Rules.

- B.** In accordance with established policies, all SERS board members and designees are expected to exercise care in incurring expenses and accomplishing Business Travel as a prudent person would exercise, not inconsistent with the Travel Rules.
- C.** In general, SERS board members and designees are expected to make Business Travel transportation, lodging, and rental vehicle arrangements most economical to SERS in consideration of the individual's schedule and efficient use. Where possible the ADTRAV (the Commonwealth contracted travel agency) website or any successor should be employed after notifying the SERS Executive Director of the travel plans.
- D.** It is acknowledged and understood that third parties from time to time, pursuant to contract, furnish transportation, lodging, and/or meals in whole or in part. However, SERS board members and designees may only be reimbursed by and/or accept the furnishing of same from a third party after SERS has contracted for the third party to provide for transportation, lodging, and/or meals to board members and designees for Business Travel. Finally, SERS board members and designees traveling in pursuit of their board responsibilities are not permitted to seek out or receive extraordinary services from third parties (e.g., entertainment, on-demand private car service, tickets to sporting events, etc.) under any circumstances.

SERS board members and designees shall inform the SERS Executive Director when requesting approval for Business Travel if transportation, lodging, and/or meals are expected to be furnished, providing as much specificity as available.

SERS board Members and designees may accept such transportation, lodging, and/or meals for Business Travel provided they report the same when submitting travel expense documentation and only seek Commonwealth reimbursement of actual and reasonable expenses incurred to which they are entitled under the Travel Rules.

1. Lodging provided by third parties, as described herein, may from time to time involve hotels at which rates exceed those available from ADTRAV. Nevertheless, SERS board members and designees may accept such accommodations if SERS would otherwise bear the cost of Business Travel lodging.
 2. Business and first class air and train transportation offered by third parties pursuant to contract may not be accepted by SERS board members and designees, although upgrades may be accepted when offered by carriers on a complimentary basis.
- E.** Business Travel is intended to fulfill *bona fide* business and fiduciary requirements, not the personal desires of the traveling SERS board member and designee. Business Travel may be extended to accommodate a personal side trip, provided all expenses of the personal side trip are borne entirely by the SERS board member and designee.

ADTRAV may be used to make such personal travel arrangements, provided a personal credit card is used for that portion of the trip.

F. Roles and Responsibilities:

- A) N/A

Related Information:

A) Consequences:

- 1) N/A

B) Related Policies:

- 1) Management Directive 230.1 – Commonwealth Travel Procedures Manual
- 2) Management Directive 230.10 – Commonwealth Travel Policy
- 3) SERS Ethical Conduct Policy
- 4) Public Official and Employee Ethics Act
- 5) Governor's Code of Conduct (as applicable)
- 6) Legislative Code of Ethics (as applicable)

C) Related Processes:

- 1) N/A

D) Definitions:

- 1) N/A

E) Special Notes:

- 1) SERS board members and designees should seek clarification from the Legal Office when application of the Travel Policy is unclear. Clarification of the specifics of the Commonwealth Travel Procedures should also be sought from the SERS Office of Finance and Administration (“OFA”) travel coordinators. The Legal Office or OFA shall notify the Executive Director when advice and counsel or clarification is solicited.

F) Business Continuity Significance

- 1) N/A
- 2) Can be currently accessed on Intranet; will eventually be placed on CMS

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** David E. Durbin
- c. **Summary of Changes:** N/A

Date	Version	Author	Summary
July 17, 2018	2018 POL- BD-10	David E. Durbin	The policy established by the Board providing guidance to the Board members and establishing guidelines for all SERS board members and designees traveling on official SERS business.

RESOLUTION # ER-86-064

March 27, 1986

WHEREAS, pursuant to 4 Pa. Code §40.3(c), the following agency has requested approval of guidelines relating to travel and subsistence, in the form of exceptions to the provisions of Management Directive 230.10 (Travel and Subsistence Allowances); and

WHEREAS, this agency has adopted the provisions of Management Directive 230.10, with the exceptions requested; therefore, be it

RESOLVED, that the board members, executive director, assistant executive director, and chief investment officer of the State Employees' Retirement System are exempt from the monetary limits of Management Directive 230.10; and be it further

RESOLVED, that with respect to Section 05b of Management Directive 230.10, officials and employees of the State Employees' Retirement System will not need prior authorization to travel out of the state; and be it further

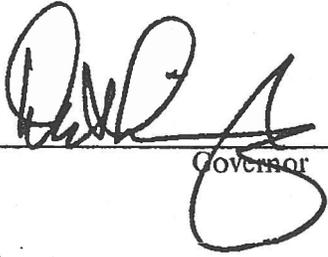
RESOLVED, that exceptions approved herein are effective March 1, 1986.

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MAR 31 1986

COMPTROLLER'S OFFICE
EDUCATION & CONL SERVICES

Gary
4/10/86
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Governor

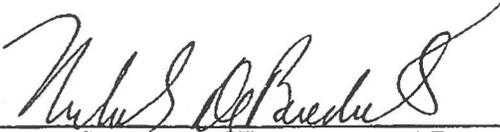
ER-86-064



Secretary of General Services



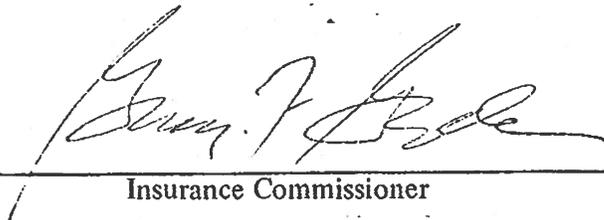
Secretary of Banking



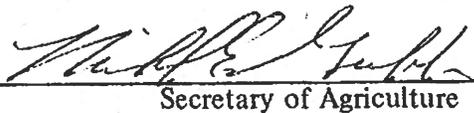
Secretary of Environmental Resources



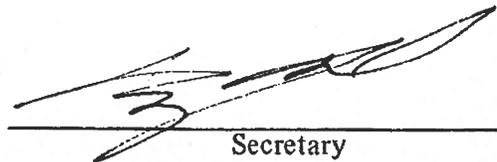
Secretary of Revenue



Insurance Commissioner



Secretary of Agriculture



Secretary